

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Oropeza Analyst: John Pavalasky Bill Number: AB 2792

Related Bills: See Prior Analysis Telephone: 845-4335 Amended Date: May 4, 2004

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Military Reservist Credit

 DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous
 X analysis of bill as introduced February 20, 2004.

 X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous
analysis of bill as introduced/amended _____.

 FURTHER AMENDMENTS NECESSARY.

 DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 20, 2004, STILL
 X APPLIES.

 OTHER - See comments below.

SUMMARY

This bill would allow an income tax credit to qualified military reservists who experience a substantial loss of taxable income due to being called to active duty.

SUMMARY OF AMENDMENTS

The May 4, 2004, amendments:

- removed the complex credit computation methodology and made the credit equal to \$100.
- added requirements that to qualify for the credit, the reduction in taxable income due to being called to active duty must be at least \$5,000, the "qualified reservist" be called to active duty for a period in excess of 30 days, and defined the term "active duty."
- authorize the Franchise Tax Board to adopt legislative regulations that are necessary to administer and carry out the purposes of the credit.

The May 4, 2004, amendments resolve the IMPLEMENTATION CONSIDERATIONS and LEGAL IMPACT raised in the analysis of the bill as introduced February 20, 2004. The THIS BILL and FISCAL IMPACT discussions have been revised, and a new REVENUE ESTIMATE is provided. The remainder of the analysis of the bill as introduced February 20, 2004, still applies.

POSITION

Pending.

Board Position:

_____ S _____ NA _____ NP
_____ SA _____ O _____ NAR
_____ N _____ OUA X PENDING

Legislative Director

Date

Brian Putler

5/7/04

THIS BILL

For the 2004 and 2005 taxable years, this bill would allow a credit equal to \$100 for qualified reservists who experience a reduction in taxable income of at least \$5,000 due to being called to active duty for a period in excess of 30 days. The qualified reservist would also be required to be a California taxpayer at the time the individual was called to active duty for more than 30 days to qualify for this credit.

“Qualified reservists” are defined as members of the National Guard or a reserve component of the Armed Forces that are called to active duty during the taxable year for a period in excess of 30 days.

“Active duty” is defined by reference to federal law, modified to include full-time National Guard duty but to exclude any active duty for training or attendance at a service school.

This bill would allow any unused credit to be used in the following year, and succeeding seven years, until the credit is exhausted.

This bill would authorize the Franchise Tax Board to adopt legislative regulations that are necessary to administer and carry out the purposes of the credit.

FISCAL IMPACT

This bill would not significantly impact the department’s costs.

ECONOMIC IMPACT

Revenue Estimate

The revenue impact of the bill is projected as follows:

Revenue Impact of AB 2792 Personal Income Tax (\$ Millions)			
Fiscal Year	2004-05	2005-06	2006-07
Revenue Loss	-\$1.2	-\$1.2	minor

Revenue Discussion

There are approximately 220,000 reservists called up to active duty of which 11% or 24,000 are from California. Recent surveys conducted by the Reserve Officers Association have estimated that about 50% of the companies that had employees that were called up for military duty offered differential pay between civilian jobs and reservist pay.

Using that survey, it is estimated that about 12,000 of the California reservist would incur a reduction in income of over \$5,000 while serving on active duty.

The PIT revenue loss would be approximately \$1.2 million annually beginning in the 2004-05 fiscal year. A tax credit of \$100 times the number of reservists that are incurring an income reduction (12,000) = \$1.2 million.

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